Kaiko Research

What Drove Bitcoin's Strongest Week of 2026

August 26, 2026

By Thomas Probst

After a difficult first half of the year, the digital asset market delivered its sharpest repricing of 2026 in the space of a single week. A bond market under strain forced the US Treasury to intervene on August 19, and that decision reversed 6 weeks during which Bitcoin had traded within a narrow band in a matter of hours. What began as an unwind of bearish positions has since been reinforced by political momentum in Washington and by sustained institutional inflows, taking Bitcoin back to the $75k-80k mark and lifting the broader market with it.

- BTC up 31.17% since July 1, against 2.41% for the SPX.
- The Treasury buyback announcement cut the US30YT yield by around 12 basis points and pushed BTC volatility from below 20% to close to 40%.
- Perpetual open interest climbed from below $69B to close to $80B, with volume peaking at $264B on August 21.

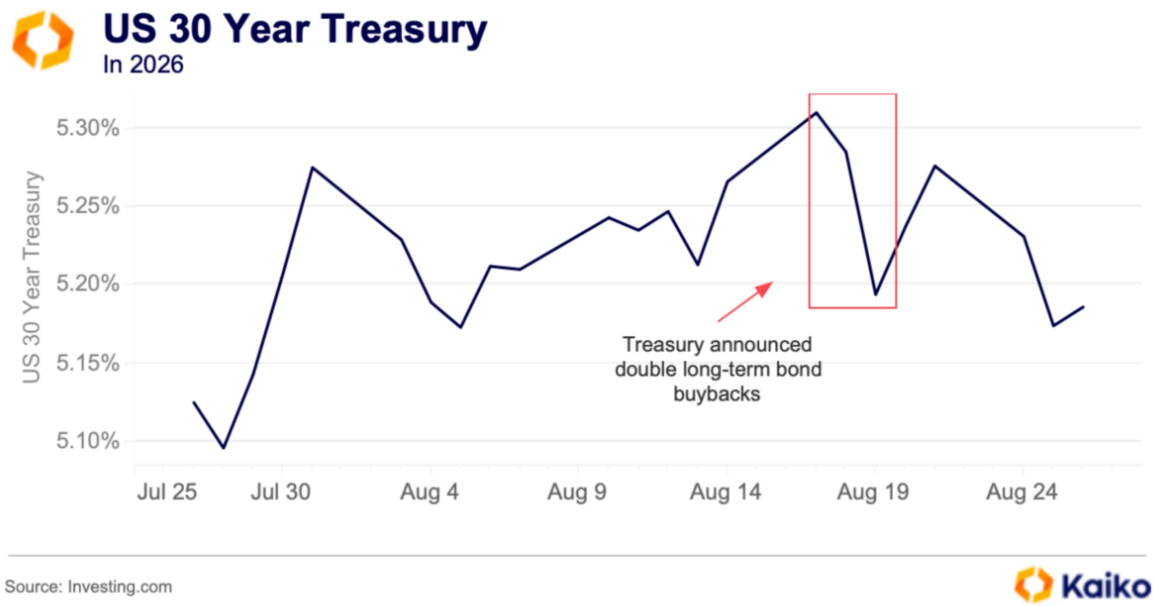
A Bond Market Shock Ends a Months Long Downtrend

The digital asset market spent the first half of 2026 under pressure, with a succession of catalysts that repeatedly capped any attempt at recovery. The Federal Reserve's decision to hold rates at the end of January removed the prospect of easier monetary conditions, while Strategy's announcement in early June that it would sell part of its bitcoin holdings undermined one of the market's strongest narratives.

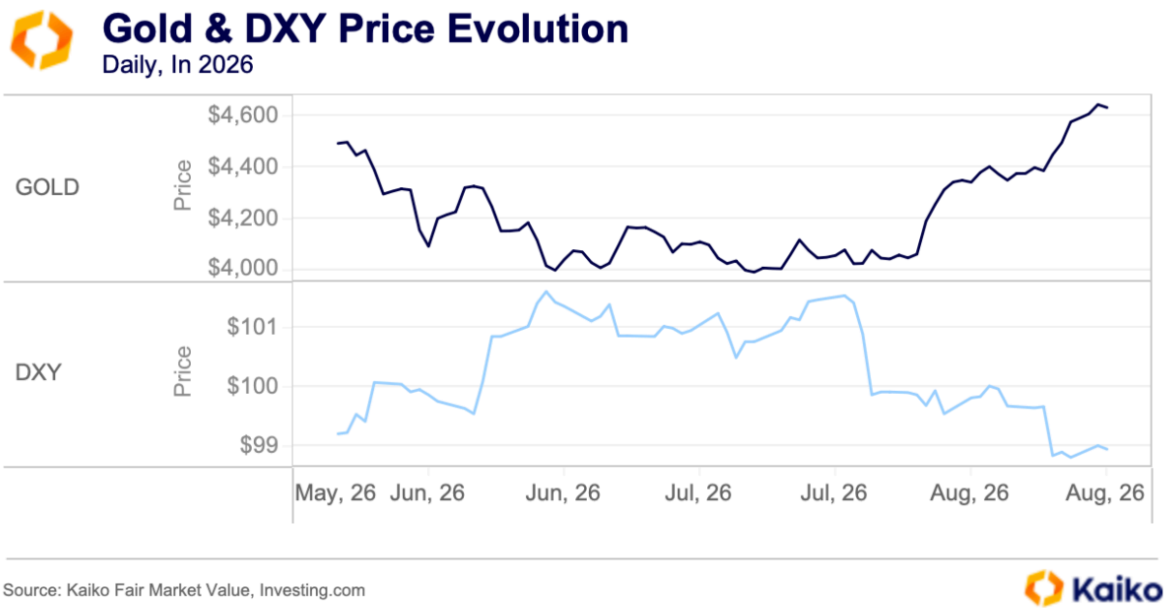
By early July the market had stopped moving altogether. Bitcoin drifted quietly between roughly $62k and $65k for six weeks, and its 30-day rolling volatility fell from close to 38% in late June to just under 20% by the middle of August.

The spark came from the bond market. The yield on the 30Y US Treasury climbed steadily through the summer to peak slightly above 5.30% on August 17. A rising long yield is a warning signal, because it means investors are asking to be paid more to hold government debt.

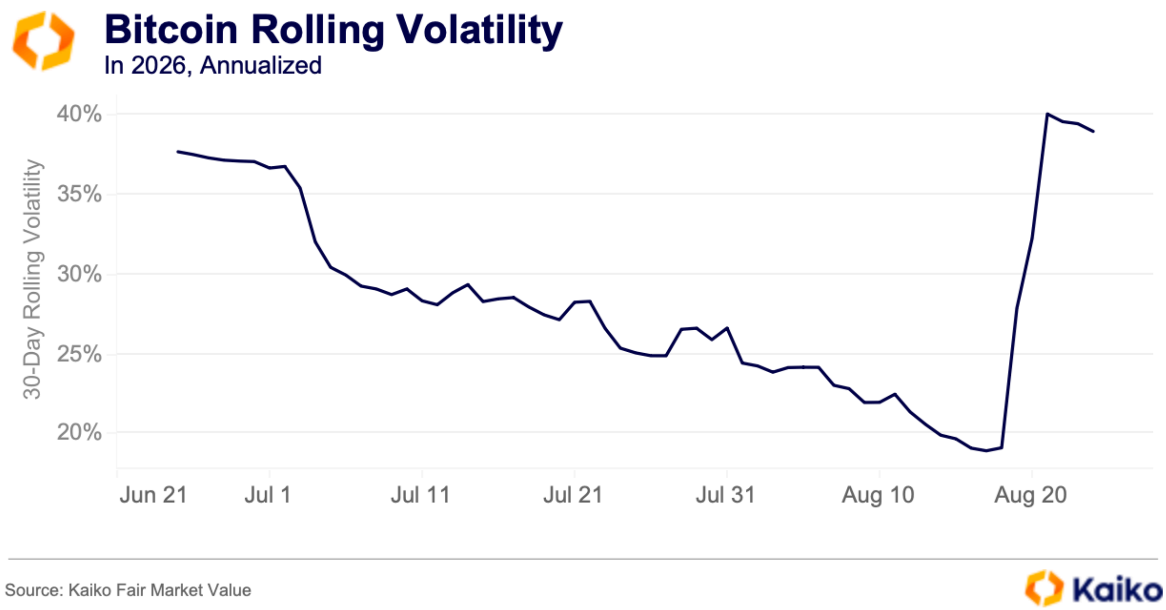
On August 19, the Treasury led by Scott Bessent announced that it would significantly increase its buybacks of long term bonds. A buyback means that the Treasury goes into the market and repurchases its own previously issued debt before maturity. By removing bonds from circulation, it reduces the available supply, which pushes their price up, and since the price of a bond and its yield always move in opposite directions, the yield falls. The effect was immediate and visible, with the US30YT yield dropping by around 12 basis points within 2 days.



Markets read it as a state stepping in to support the price of its own debt, which brought back to the forefront monetary dilution and the search for assets that cannot be printed. Gold climbed from around $4.5k in late July to above $4.6k by August 24, its highest level in months, while the dollar index (DXY) fell to roughly $99, its weakest reading of the period.



Because so many traders had bet against a breakout, the move higher forced them to buy back their positions in order to limit their losses. Buying to close a bearish bet pushes the price up further, which in turn forces the next group of traders to do the same. This chain reaction explains why the initial move was so abrupt, and why volatility jumped from below 20% to around 40% in a matter of days.

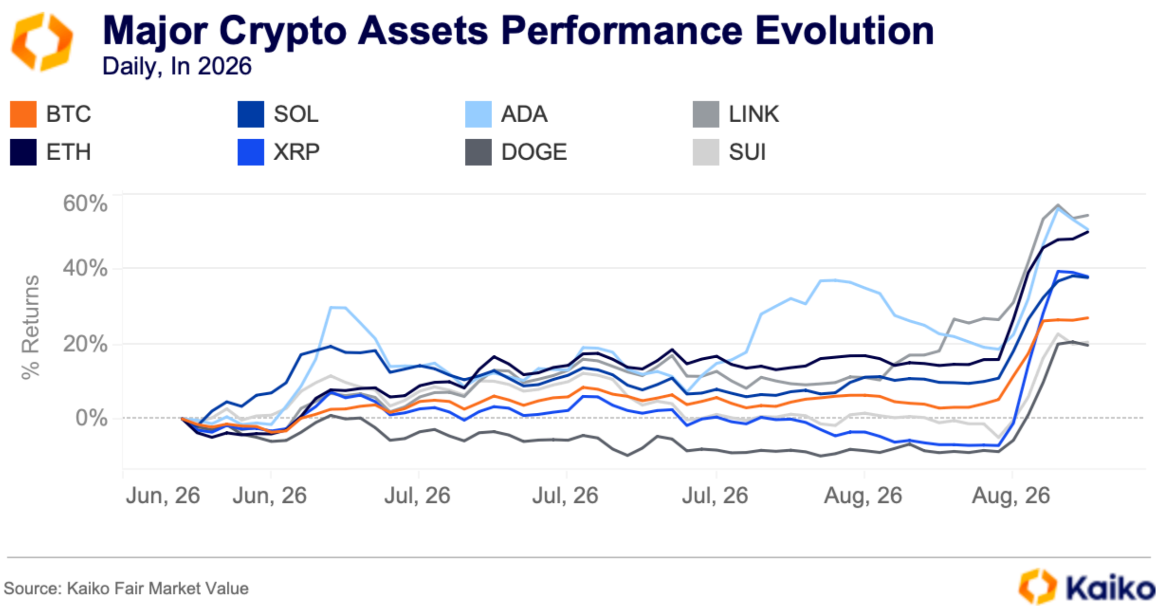


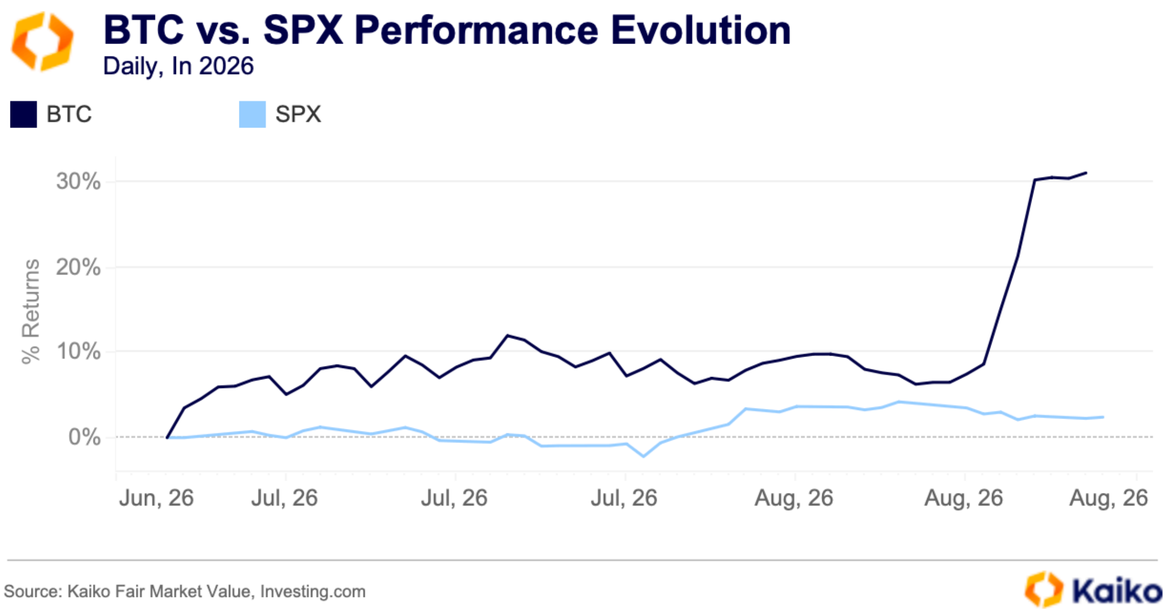
What Turned a Squeeze Into a Trend

What gave this rally its staying power was the emergence of two independent sources of support. On the political front, discussions at the White House brought together executives from several crypto-native firms to push Congress towards passing the Clarity

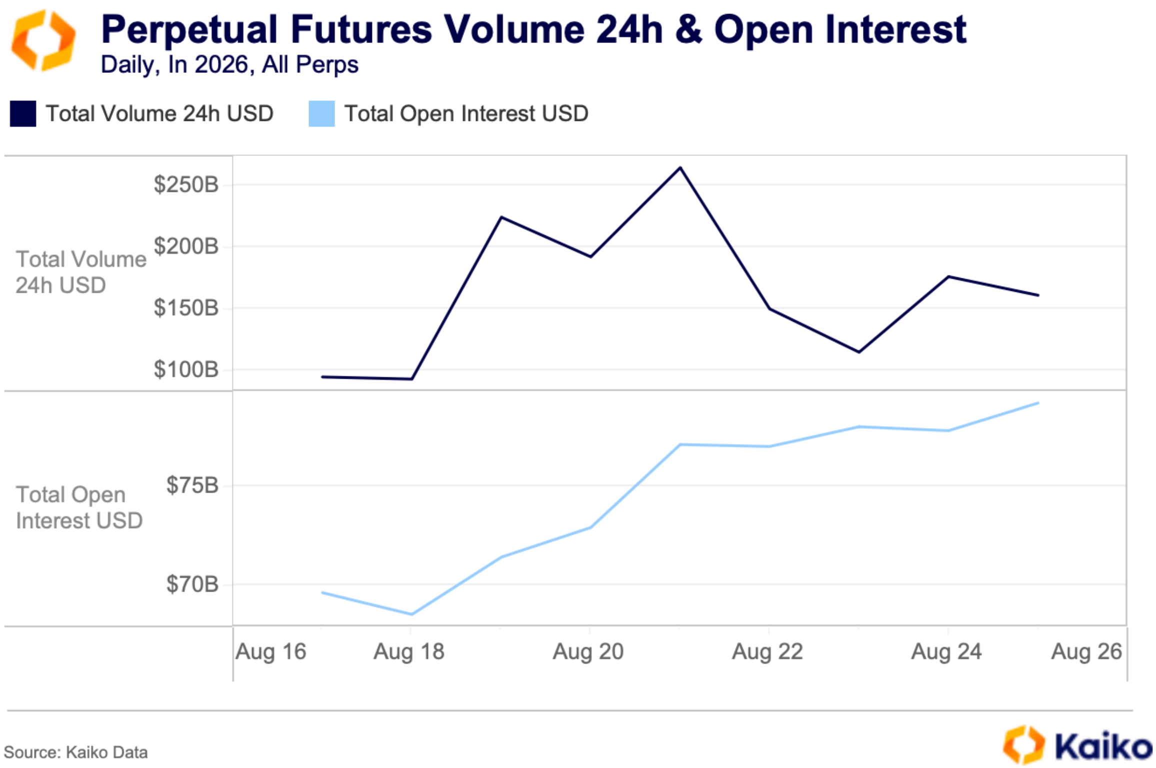
Act, with the idea of sovereign bitcoin purchases even coming up during the conversation. On the flows side, spot ETFs confirmed the move with sustained inflows.

The result is a broad and powerful repricing. Bitcoin returned to the $80k mark and is now up to 31.17% since its level on July 1st, against 2.41% for the SPX over the same window, a gap that illustrates how specific the driver was to digital assets. The rest of the digital asset market followed with even greater intensity, with ETH up 49.89%, XRP up 37.97% and SOL up 37.71% over the 2 month period, confirming that this was a market wide move rather than a bitcoin only story.





Perpetual futures data shows how positioning evolved during the move. Daily volume jumped from around $100B before the announcement to a peak of roughly $264B on August 21, while open interest, which measures the total value of positions left open, rose steadily from below $69B to close to $80B. Rising open interest during a price surge means investors were opening new positions rather than closing existing ones. The absence of any meaningful reduction in open interest as prices climbed is more consistent with conviction than with a reluctant chase. Finally, the pattern seen from August 22 to 25, with volume settling at a still elevated level while open interest continued to grow, could suggest that traders are holding their positions and expect further upside rather than taking profits.



2 events could determine whether this holds. The first is Kevin Warsh's speech at Jackson Hole next Friday, which will indicate whether the Federal Reserve intends to accompany or resist the current easing in financial conditions. The second is the Senate procedural vote on the CLARITY Act on 15 September, which will not pass the bill but will reveal whether it commands the sixty votes needed to advance towards a definitive market structure framework.

Conclusion

The episode is a useful reminder of what now drives the digital asset market. Bitcoin reacted to a signal coming from outside the crypto ecosystem, and the assets that followed did so with the same logic, which confirms how closely digital assets are tied to broader conditions in global markets. The sequence since August 19 illustrates it precisely, with a market contained between $62k and $65k for six weeks, volatility below 20% and a single announcement on long term bond buybacks enough to break that range and double volatility within days. Since open interest kept climbing towards $80B and ETF inflows persisted after the initial squeeze, which indicates that investors treated the move as a starting point rather than a one off dislocation.